Registered Master Builders Association of New Zealand Incorporated

Submission on Dunedin City Council 9 Year Plan 2025 – 2034

April 2025

The Registered Master Builders Association submission on Submission on Tauranga City Council Development Contributions Policy 2025/2026.

The Registered Master Builders Association (Master Builders) welcomes the opportunity to submit to the Dunedin City Council.

About Master Builders

The Master Builders represents over 3,000 commercial and residential builders and are the leading sector advocates on the built environment. Our members have been building the places where New Zealanders live, work, and play, since 1982.

Our sector is a key contributor to the New Zealand economy. For the year ended March 2024, the construction sector contributed 6.2 per cent of the country's real Gross Domestic Product (GDP) accounting to over $17.2 billion[1]. It also employed 294,100 people (or 10 per cent of the country's total workforce) in the year ended September 2024[2].

We are working hard to lead the change our sector needs by ensuring we have the regulatory systems and processes in place to build faster and better. We are supporting our members to grow their capability and business acumen to ensure a strong and healthy sector; to innovate and make the most of new technologies so we meet the climate change challenge; and to attract, train and retain skilled talent. We are proud to be New Zealand's best builders.

At Master Builders we are committed to transforming the sector and rebuilding our economy. We are focused on building better homes, communities and workplaces, and ultimately better lives for all New Zealanders. We want to ensure that the houses that we build now are well-built, accessible, affordable, and appropriate to the needs of our ever-changing society. We are building a better New Zealand.

Our members are supported on the ground by 23 branches across 6 regional hubs:

Branch hub	Serving
Auckland	Auckland, Northland, Coromandel
Midlands	Waikato, Tauranga, Whakatāne, Rotorua, Taupō
Central North Island	Taranaki, Whanganui, Hawke's Bay, Manawatū, Gisborne
Cook Strait	Wellington, Wairarapa, Nelson, Marlborough, West Coast
Canterbury	Canterbury, Ashburton, South Canterbury
Southern	Otago, Central Otago, Gore, Southland

[1] Statistics New Zealand – Infoshare: Gross domestic product – March 2024

[2] Statistics New Zealand – Infoshare: Household Labour Force Suvey – September 2024

1. Introduction

1.1 Master Builders appreciates the opportunity to provide feedback on the Dunedin City Council's (the Council) Draft 9-Year Plan 2025–34 (Draft Plan). We acknowledge the Council's efforts in planning for the city's future infrastructure and growth needs. We support the goal of a thriving Dunedin with sufficient infrastructure for growth and a robust supply of housing. We agree that investment is needed to accommodate growth and maintain essential services.

1.2 However, Master Builders opposes the scale of the proposed rates increases and development contributions increases outlined in the Draft Plan. We are concerned that the current funding proposals place an excessive burden on homeowners, businesses, and developers. The magnitude of these increases could have unintended negative consequences for Dunedin's economy and housing sector. We urge the Council to reconsider the extent and pacing of these changes.

1.3 The Draft Plan proposes a 10.5% rates increase in the first year (2025/26) alone, which is a substantial jump for ratepayers. Even though the plan forecasts lower annual increases in subsequent years (an average of ~7% per year over the remainder of the plan), the initial double-digit increase is well above inflation and will be challenging for many in our community. The total cumulative rates increase over the nine-year period would be approximately 89.9%. Such a steep rise in general and targeted rates will directly impact household budgets and business operating costs. It is a significant burden that comes at a time when many are already facing cost pressures.

1.4 Master Builders is particularly concerned about the impact on the construction sector. Higher rates will increase holding costs for developers who are required to pay rates on land under development. These costs are likely to be passed onto consumers, ultimately driving up the price of new homes and further undermining housing affordability.

1.5 The Draft Development Contributions Policy 2025 (Draft DC Policy) proposes significantly higher fees on new developments. Development contribution charges on new housing and subdivisions are set to rise dramatically under the Draft DC Policy, in some cases adding tens of thousands of dollars to the cost of building a single home. For example, in some outlying parts of Dunedin such as Middlemarch, a developer has calculated the proposed contribution could be nearly $48,000 per new lot, an amount that is economically unsustainable relative to land values.

1.6

Location	Draft 2025 Contribution	Indicative Previous Contribution (NZD)	Approximate Increase (%)
Middlemarch	47900	15000	219
Waikouaiti/Karitane	38300	15000	155
Dunedin Central (Greenfields)	27170	12000	126
Dunedin Central (Brownfields)	23460	12000	95.5
General Dunedin Metropolitan	7670	7000	9.6

1.7 Master Builders supports the principle that "growth pays for growth", but the scale and abruptness of these increases go far beyond what the development community can absorb in the short term. We are concerned that the policy, as proposed, could dramatically slow down development activity in Dunedin.

1.8 Master Builders urges the Council to take a more phased approach to funding infrastructure and growth. Rather than relying so heavily on immediate, large increases to rates and development contributions, the Council should consider alternative strategies to spread the load more equitably and avoid choking off development. This includes exploring cost-saving measures within Council operations to trim excess expenditure and utilising innovative funding tools (such as special infrastructure financing arrangements) to reduce the direct impost on ratepayers and new home builders.

2. Key Recommendations

2.1 We recommend the Council recalibrate its funding strategy to better balance infrastructure investment needs with affordability for those who will pay. This means avoiding extreme, one-off hikes and instead seeking a sustainable path that keeps Dunedin attractive for development. The Council should aim to reduce the upfront burden on current ratepayers and developers, even if that means utilising more debt in the short term (acknowledging that a prudent balance of debt and revenue is acceptable for long-lived infrastructure).

2.2 Master Builders strongly encourages the Council to explore innovative financing mechanisms that have been enabled in New Zealand to fund infrastructure. These include Special Purpose Vehicles (SPVs) and Infrastructure Funding and Financing (IFF) models (such as those under the Infrastructure Funding and Financing Act 2020), as well as targeted rates or levies for specific infrastructure projects. Such tools can attract private investment or spread costs over longer timeframes, meaning the upfront cost isn't placed entirely on today's ratepayers or new home builders. By leveraging these mechanisms, Council can deliver necessary infrastructure with less reliance on across-the-board rate hikes or development levies.

2.3 Before asking residents and businesses to shoulder a rate increase exceeding 10%, the Council should ensure it has exhausted opportunities to cut waste and improve efficiency in its own expenditure. We recommend a thorough review of operating budgets, with particular attention to staff and consultancy costs, procurement efficiencies, and non-essential spending. In many councils, staffing and consultant expenses constitute a significant portion of operating costs (for example, in one recent Annual Plan, staff and consultant costs made up about a third of total operating expenses). We also support efforts to broaden the rating base – for instance, attracting new businesses and residents to Dunedin (which increases the number of ratepayers over time) – as a long-term strategy to distribute costs more evenly.

2.4 Master Builders agrees that those who benefit from new infrastructure (i.e. new developments) should contribute to its costs; however, it must be clear that development contributions are only used to fund growth-related infrastructure, and not to remedy historical under-investment or unrelated spending. We recommend that the Council explicitly commit to ring-fencing development contributions revenues for infrastructure projects that enable growth (e.g. new water, wastewater, stormwater, transport capacity required for new subdivisions) and to publish transparent reporting on collection and use of these funds. Developers and the public should be able to easily see where their contributions are going and be assured that these fees directly facilitate the developments that generated them.

2.5 By improving transparency and accountability, the Council will help build public confidence that the principle of "growth pays for growth" is being implemented as intended meaning new development is paying for new infrastructure capacity, rather than being an opportunistic revenue stream.

2.6 We note that central government has announced replacing development contributions and significant changes at the national policy level are anticipated as a result, which could impose new requirements or frameworks for council development levies. It would be prudent for the Council to hold off on major changes to its Development Contributions Policy until this overhaul is complete and any new legislative requirements are known. Proceeding with a major overhaul now, only to potentially have to amend it in a year or two to comply with new national directions, could create uncertainty and unnecessary administrative costs.

2.7 By pausing or at least phasing in the Draft DC Policy (for example, adopting a transitional policy or interim charges), the Council can ensure it remains aligned with upcoming government reforms. This pause would also allow more time for collaboration with the development sector on the best approach. In short, we recommend that Council defer full implementation of the new contributions regime until the Government releases its development levies programme outcomes, to avoid misalignment and to incorporate best practices that may emerge.

2.8 We recommend that the Council consider targeted measures to lessen the burden on certain types of development that are particularly important for the city's housing objectives yet most at risk of being priced out by high contributions. Smaller local developers and builders – who are often agile, community-focused, and contribute greatly to infill housing and innovation should not be driven out of the market due to sudden cost escalations. Likewise, projects aimed at affordable housing or rental housing should be encouraged, not deterred, by Council policy.

2.9 Contributions could be shaped based on development size (so that a small 2-3 lot subdivision isn't charged the same per-lot fee as a large greenfield development), or providing partial exemptions / reductions for developments that meet affordability criteria or other social objectives. By introducing some flexibility or relief in the contributions policy for these cases, the Council can help ensure that first-home buyer projects, affordable housing initiatives, and modest local developments remain viable.

3. Rates Increases and Financial Sustainability

3.1 The proposed rates increases in the Draft 9-Year Plan are a major concern for Master Builders. A 10.5% rates increase in 2025/26 is well beyond what we consider sustainable for the community in one year. We acknowledge that the Council faces significant cost pressures – inflation in construction and infrastructure, the need to invest in water, transport and community facilities, and the requirement to move towards a balanced budget. We also recognise that Dunedin delayed its 10-year plan by a year (opting for this 9-year plan) due to external factors, which has likely compressed some costs into a shorter timeframe. However, passing on such a large increase to ratepayers in a single year will have real economic impacts. Many homeowners on fixed incomes will struggle with a rates jump of this magnitude, and local businesses (including construction firms) will face higher overheads when they can least afford them. It comes on top of high general inflation and rising interest rates, which have already stretched budgets. We fear that an aggressive rates rise could dampen economic activity – for instance, discouraging new investment or causing businesses to scale back growth plans in Dunedin.

3.2 Master Builders urges the Council to re-examine its financial settings to find ways to reduce the required general rates increase. One avenue, as highlighted in our recommendations, is rigorous cost control within the Council's own operations.

3.3 We suggest that the Council thoroughly review its operating expenditure for potential savings or efficiencies. The aim should be to trim any non-essential spending and improve productivity in service delivery. Even relatively modest savings (for example, reducing consultancy spend, improving procurement practices, or optimising staff vacancies) could collectively shave off a few percentage points from the needed rates increase.

3.4 We note that the Mayor and Councillors have a role to play in setting a strong expectation for Council management to find efficiencies. Ratepayers will be more accepting of contributing a bit more if they see the Council "tightening its belt" as well. The Council could consider spreading the rates increases more evenly across the 9-year period. The current plan front-loads the increase in year one, then lowers increases in later years. A more gradual ramp (for example, two years of ~7% increases instead of one year at 10.5%) might be preferable from an affordability standpoint, even if the long-run outcome is similar. This would lessen the immediate shock to the economy. We understand the desire to address deficits quickly, but there must be a balance with community affordability.

3.5 Higher rates can indirectly increase construction costs – for instance, through higher consent fees (if Council increases those to cover overheads) or through higher costs for contractors who must pay more for their commercial premises and pass that on. Moreover, if the cost of living in Dunedin rises sharply (of which rates are one factor), it can reduce the city's attractiveness to new residents and businesses. Dunedin is competing with other regions for talent, investment, and development. As one local expert observed, some developers are already choosing to relocate their activities to more business-friendly districts like Christchurch out of frustration. We do not want to see Dunedin inadvertently send a signal that it is a high-cost, high-barrier place to build or do business. Keeping rates increases to more moderate levels is part of maintaining Dunedin's competitiveness and reputation as a great city to invest in.

4. Development Contributions Policy Changes – "Growth Pays for Growth" with Fairness

4.1 Master Builders has serious reservations about the Draft Development Contributions Policy 2025, primarily due to the scale of the increases and the potential for unfair effects on the development community.

4.2 We understand the rationale: Dunedin City Council expects growth in population and development and needs to invest in infrastructure to service that growth. In principle, Master Builders supports the concept that those who create the need for new infrastructure (developers and ultimately new homeowners) should contribute to its cost – this is the essence of "growth pays for growth." However, this principle must be applied carefully and equitably, otherwise it can backfire and impede the very growth it is meant to support.

4.3 Our primary concern is that the proposed DC charges in Dunedin represent an enormous jump from current levels, which will be very difficult for the industry to absorb in the short term. The Council's consultation materials indicate significantly higher contributions per Equivalent Household Unit (EHU) for core services.

4.4 Feedback from local developers suggests the increases are on the order of multiple tens of thousands of dollars per new dwelling in many cases, which is several times higher than what was previously charged. One prominent Dunedin developer described the proposed contributions as "not fair and reasonable" and feeling "largely like a revenue grab to try catch up on 50-odd years of underspend in public infrastructure". This perspective, while starkly phrased, highlights a key point: development contributions should not be used to fund historic infrastructure deficits or unrelated projects.

4.5 Master Builders recommend that the Council publish clear schedules showing what infrastructure projects (and what portion of each) will be funded by the collected development contributions. Developers and the public will therefore be able to see that $X dollars of DC are going to fund Y project that enables Z new houses, it builds acceptance that the fees have a legitimate purpose. Conversely, if such linkage is opaque, people will understandably suspect that the money is just plugging general budget holes. Master Builders also requests that Council consider establishing a regular reporting mechanism (perhaps annually) on DC collections and expenditures, which would further enhance accountability.

4.6 Another key issue with the Draft Policy is the timing and abruptness of the increase. The new charges would come into effect with the new policy (presumably from July 2025, aligned with the 9-Year Plan adoption). This gives developers very little lead time to adjust. Projects that are currently in the pipeline (but not yet consented) would suddenly be subject to much higher fees than anticipated. Many of these projects' financial viability calculations did not account for such high DCs. The result may be that some planned developments are halted or delayed as the economics no longer stack up. It is telling that Dunedin is currently experiencing the lowest number of annual consent applications since at least 1998 - indicating a downturn in development activity – and a sudden imposition of hefty fees could be "the last straw" for some developers who are on the fence about proceeding.

4.7 Master Builders is extremely concerned that the policy as drafted could inadvertently push the construction sector into a deeper slowdown. This would be counter-productive to the Council's goals, because if development slows, the intended revenue from contributions won't materialise, and worse, the broader goals of accommodating population growth and improving housing affordability will slip further out of reach.

4.8 Master Builders strongly encourages the Council to phase in the new contributions rather than implementing them in full immediately. One approach could be to apply a lower initial rate (perhaps a percentage of the full calculated DC) for the first 1-2 years, then step it up over time. This approach was successfully used by some other councils when introducing or significantly increasing development contributions, to avoid shocking the market. A phase-in gives developers a chance to adapt their project finances or to accelerate applications under the old rates if possible.

4.9 Master Builders also asks the Council to consider fairness across different development contexts. Dunedin has a variety of development types – from large greenfield subdivisions in places like

Mosgiel or the Taieri plain, to small infill developments in the city, to redevelopment or intensification projects, and even rural township developments (e.g. in Middlemarch, Outram, etc.). A one-size-fits-all development contribution charge could have uneven effects. For example, as cited earlier, a $40,000+ per section charge might be marginally feasible in a high-value subdivision on the city fringe, but it would completely wipe out the feasibility of creating a section in a lower-value rural township.

4.10 We recommend that the Council evaluate whether its policy should have differentiated charges or categories to reflect these differences. The Draft DC Policy does identify various “areas of benefit” and catchments for different infrastructure (for instance, different water supply schemes like Dunedin metropolitan vs. Outram vs. Mosgiel, etc., and different roading catchments). It will be important that the final contributions imposed on developments consider the benefit received and the ability to pay in those areas. We reiterate our recommendation: providing relief or incentives for affordable housing developments would be a wise policy refinement. This could be in the form of reduced DCs for qualifying projects (with the difference funded by Council’s general funds or a government subsidy). Such an approach would demonstrate Council’s commitment to housing affordability by not disincentivising the very projects that aim to deliver lower-cost homes.

4.11 Builders often have valuable insights into practical aspects for example, how fees influence project decisions, or ideas for staging infrastructure to defer costs. We encourage the Council to engage with developers (including small and medium-sized builders, not just large players) in a working group or forum as it finalises the policy. A collaborative approach can yield creative solutions that meet Council’s funding needs while also keeping development flowing. Master Builders is ready and willing to facilitate or participate in such engagement.

5. Impacts on Housing Affordability, Development Feasibility, and Dunedin’s Competitiveness

5.1 The twin proposals of steep rates increases, and sharply higher development contributions will have real impacts on the ground. Master Builders is concerned that, as currently outlined, these measures could undermine housing affordability and the feasibility of development projects, at a time when Dunedin urgently needs more housing and economic growth. We ask the Council to carefully consider these broader implications as it makes decisions. We thank you for the opportunity to make this submission.

5.2 Master Builders are concerned about the impact on small to medium-sized developers and local building firms. These smaller players are an essential part of Dunedin’s construction ecosystem as they build many of the homes and commercial projects, often with deep ties to the community. Unlike large national developers, they typically operate on tight margins and limited capital reserves.

5.3 Developers and investors have choices about where they allocate their effort and capital. If Dunedin becomes significantly more expensive or difficult to build in compared to other cities, it will naturally become less attractive. We have already heard anecdotes of developers looking to other districts perceived as more welcoming to development. Dunedin must be mindful of its reputation. The city has many drawcards – a great lifestyle, growing economy in certain sectors, and needs to accommodate growth – but if the cost regime is too onerous, those positives might be outweighed by simpler economics. We note that Christchurch, for instance, has comparatively lower development contributions in many cases and has been actively trying to stimulate housing development; likewise some districts in Otago/Southland might see an opportunity to poach development activity. Dunedin's long-term growth (population and economic) could be compromised if investment is driven away.

5.4 Master Builders cannot overemphasise the importance of making development viable. As one local developer aptly put it, "If we want to tackle housing affordability and keep rents down, we've got to work together on making development more viable." This statement captures the crux of the matter: Council and the industry must work together to ensure that the environment for development in Dunedin remains positive. We urge the DCC to evaluate every proposal in the Draft Plan through the lens of "does this help or hurt the cause of getting more good homes built for our people?" We believe that by implementing the recommendations we have outlined – moderating cost increases, phasing changes, exploring alternative funding, and collaborating with stakeholders – the Council can still achieve its infrastructure funding goals while fostering a healthy development climate.

6. Conclusion and Call for Collaboration

6.1 Master Builders thanks the Dunedin City Council for considering our submission on the Draft 9-Year Plan 2025–34 and the associated Draft Development Contributions Policy. Our aim in this submission is to ensure that the path taken to that future is sustainable and inclusive, and that it does not unintentionally hinder the very growth and development that the city seeks to encourage.

6.2 Master Builders have expressed strong concerns about the scale of the proposed rates and development contribution increases. We urge the Council to recalibrate these proposals in line with the recommendations we have provided. By doing so, we believe the Council can strike a better balance between fiscal responsibility and economic vitality. Dunedin's success in the coming years will depend on maintaining momentum in housing and development, keeping the city attractive for investment, and ensuring that the costs of growth are distributed fairly.

6.3 Master Builders and our members in the Otago/Southland region are keen to be partners in this journey. We bring to the table a wealth of experience in delivering projects on the ground, and we share the Council's ultimate goal of a thriving, liveable Dunedin. We invite the Council to continue dialoguing with the development and construction sector as it refines its plans. Whether through formal consultation, workshops, or advisory groups, we are ready to contribute constructively to solutions that will benefit everyone.

6.4 Master Builders is optimistic that, through partnership and prudent policy adjustments, Dunedin can meet its infrastructure challenges without compromising future growth and prosperity. We appreciate the Council's consideration of our submission and would welcome the opportunity to discuss these matters further.

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